



CONGRESS OF THE UNITED STATES

# *JOINT ECONOMIC COMMITTEE*

CHAIRMAN JIM SAXTON

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## PRESS RELEASE

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## MULTILATERAL DEBT OF POOR COUNTRIES SHOULD BE WRITTEN OFF

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**WASHINGTON, D.C.** – A new study released today shows that the debt owed by poor nations to the international financial institutions (IFIs) can and should be written off immediately, Chairman Jim Saxton said. The study demonstrates that existing financial reserves of the International Monetary Fund (IMF) and the other major IFIs are already more than sufficient to write off in full the multilateral debt owed by poor countries. The study, *The Debt of the Poorest Nations: A Gold Mine for Development Aid*, was written by Adam Lerrick of the Gailliot Center for Public Policy at Carnegie Mellon University and the American Enterprise Institute.

“As I have said since 1999, the IMF and other IFIs should simply cancel 100 percent of the worthless debts owed them by poor countries,” Saxton said. “Their loans were based on mistaken policies that are now discredited. In the case of the IMF, virtually all of these loans were made without basic lending safeguards and accounting controls in place, a mind-boggling fact uncovered by the Joint Economic Committee in 1998. In addition, a characteristic lack of transparency also is reflected in much of the debt relief planning currently under way.

“As painstakingly documented in this new study, this lack of transparency has the effect of veiling the shifting of costs of debt relief away from the international financial institutions and toward the taxpayers. Many billions of dollars of reserves are already held by the IMF and the other IFIs that are available for debt relief. However, the IMF gold sales under consideration would shield the IMF from bearing the costs of its policy mistakes.

“In the context of real IFI reform, and under the IMF’s own ‘restitution’ provisions, the gold held at the IMF could be returned to the member countries from whence it came. As the study notes, after restitution, the Fund’s rich member countries could then opt to use an equivalent amount of resources to support a facility providing performance-based grants to the poorest countries.

“If there were a need to use the gold held by the IMF for debt relief, restitution would be the right way to do it. But in the interest of transparency and accountability, let’s be careful to distinguish between debt relief and new aid. Otherwise, there is a tremendous risk that failed policies will be repeated, and poor nations will be saddled again with loans that they cannot repay,” Saxton concluded.

For more information on the IMF, please visit our website at [www.house.gov/jec](http://www.house.gov/jec)

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